
Investment Strategy

City of Olympia Opportunity Areas

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Prepared for: City of Olympia

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ECONorthwest specializes in economics, planning, and finance. Established in 1974, ECONorthwest has over three decades of experience helping clients make sound decisions based on rigorous economic, planning and financial analysis.

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1. Background and framework

1.1 Purpose

In recent decades, Olympia has seen less private investment in development and redevelopment than other parts of the South Puget Sound region, leading to fewer jobs, lower tax base, and diminished quality of place in key community centers than Olympia residents might otherwise have enjoyed. Reasons for this are wide-ranging: many of the causes of lower investment levels (including national economic conditions) have not been entirely under City control. However, City leadership has recognized a more strategic approach to its own investments in redevelopment activities is critical to encouraging the type of development that would benefit the community, and which the community would like to see and that a new more proactive approach to community development will be necessary to achieve this goal. To address this shortcoming, City leadership formed an Ad Hoc Committee composed of City councilmembers and executive staff focused on development strategy both downtown and City-wide. The Ad Hoc Committee commissioned and guided the work presented in this report.

This report begins to reframe the City's approach to redevelopment, and is an important first step to the more comprehensive, proactive strategy that the Ad Hoc Committee envisioned. The report outlines a methodology and initial set of actions the City's Community Development Department can use to guide its economic development and redevelopment activities. It suggests which tools available to the public sector (including incentives, regulations, facilitation of planning exercises and community conversations, and interactions with property owners) are most appropriate to specific areas within the City to more actively guide development outcomes in a market-responsive way.

The Ad Hoc Committee identified six areas (shown in Figure 1 and Table 1) that reflect a range of potential development opportunities in Olympia outside of downtown.¹ In all of these areas, the City is interested in furthering development outcomes, and recognizes that City should proactively participate in the future development of these sites. The report focuses on the redevelopment potential in the opportunity areas outside of downtown Olympia, and recommends a strategy and set of tools for investing in them over the coming years. This report, based on the ECONorthwest team's² analysis; City staff, Ad Hoc Committee, Citizens' Advisory Committee and Council input, and outreach to property owners and developers, provides a framework for prioritizing redevelopment investments within the opportunity areas.

¹ Downtown redevelopment opportunities are addressed at length in a separate analysis and process that is focused on opportunities for furthering the revitalization of Downtown. In some parts of this report, Downtown is included as a point of reference or because it is relevant.

² The team also included BERK, which provided most of the market analysis in this document and collaborated to produce the strategy.

For each opportunity area, ECONorthwest completed the following steps:

1) Conducted stakeholder outreach

Interviewed property owners and developers, and drew on city staff expertise, to more fully understand opportunities and constraints in each area.

2) Analyzed redevelopment readiness of each site

Evaluated market variables, barriers to redevelopment, available tools to encourage redevelopment, and property owner readiness to determine which areas are most ready to redevelop.

3) Profiled each area's development potential and recommended City actions

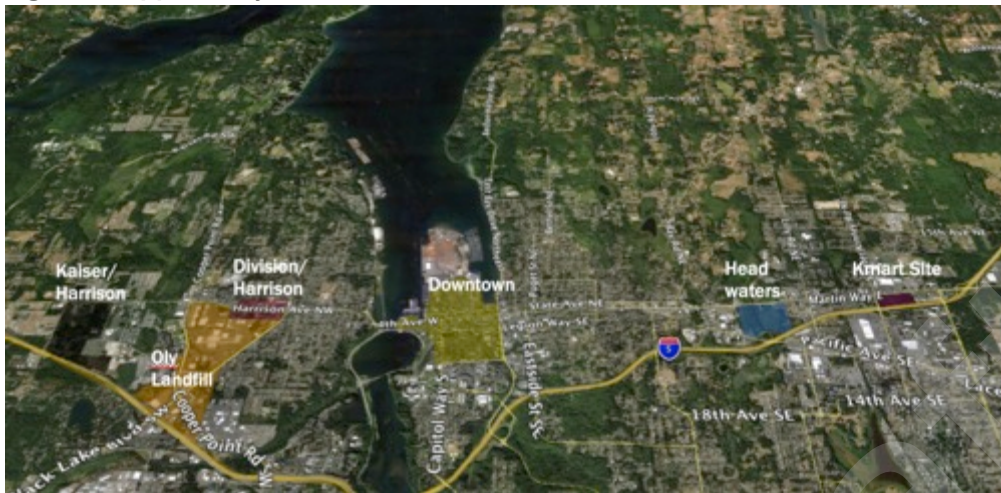
This report recommends actions the City of Olympia (City) could take to facilitate redevelopment of these sites in the short, medium and long terms.

This report is a first step toward implementing a comprehensive approach that can aid the City in managing its development area assets as a portfolio that adheres to community vision. This approach includes: (1) strategically investing in infrastructure improvements, such as roadways, streetscape improvements, and property acquisition; (2) making necessary or desired regulatory adjustments, such as zoning changes; and (3) creating partnerships with developers and property owners to generate development returns that remain sensitive to market demand.

Table 1. Opportunity areas and study rationale

Opportunity	Council-identified development opportunity
Kaiser/Harrison	Potential for neighborhood commercial/mixed-use/retail district on large single-ownership tract
Olympia Landfill	City-owned, potential major retail site adjacent to existing major retail area
Division/Harrison	Potential neighborhood center adjacent to established neighborhoods
Headwaters	Large multi-ownership parcel with wetland amenity and infrastructure challenges.
Kmart Site	Former K-mart site (currently vacant) on major close-in retail corridor

Figure 1. Opportunity area overview



1.2 Regional development context

This section describes key factors that will influence future redevelopment potential in Olympia and Thurston County. This context is critical to understanding how the opportunity areas might support a larger growth strategy, and the market forces that will affect their future development. The CRA Ad Hoc Committee has expressed their intent to create a more coherent and long-term approach towards community development. The work aims to establish what market information and stakeholder engagement are necessary to be aware of and track as consideration is given to future budgets, capital facility plans, and master plans.

Population and demographics

Olympia's population growth has slowed, and the City has not captured as much growth as neighboring cities. As shown in Table 2, between 2000 and 2010, Olympia's population grew slowly (9%), compared to the State of Washington (14%), Lacey (36%) and Thurston County (22%). Most of Thurston County's population growth during that period occurred in Lacey, Tumwater, and unincorporated areas. In part, this reflects the relative "built out" condition of Olympia compared to the neighboring cities that, generally, can accommodate growth at lower cost on larger tracts of undeveloped land. Consequently, fewer housing units have been constructed and less market demand exists for redevelopment within Olympia.

Table 2. Population growth

	2010 Population	Population Change 2000-2010	
		Number	% Change
Thurston County	252,264	44,909	22%
Olympia	46,478	3,964	9%
Lacey	42,393	11,167	36%
State of Washington	6,724,540	830,419	14%

Source: Census 2000 and 2010.

Olympia's rate of population growth and its share of the County's population growth are projected to increase. By 2030, Thurston County's population is estimated to grow by 96,000, with Olympia accommodating about 19% of that growth, or 18,000 people.¹ This would mean a roughly 40% increase in the City's population over the next 17 years. If Olympia is successful in capturing this growth as projected, it suggests growing demand for all types of uses, especially residential. It also suggests that new development will occur as infill or redevelopment, as large tracts of undeveloped land are uncommon inside Olympia's boundaries.

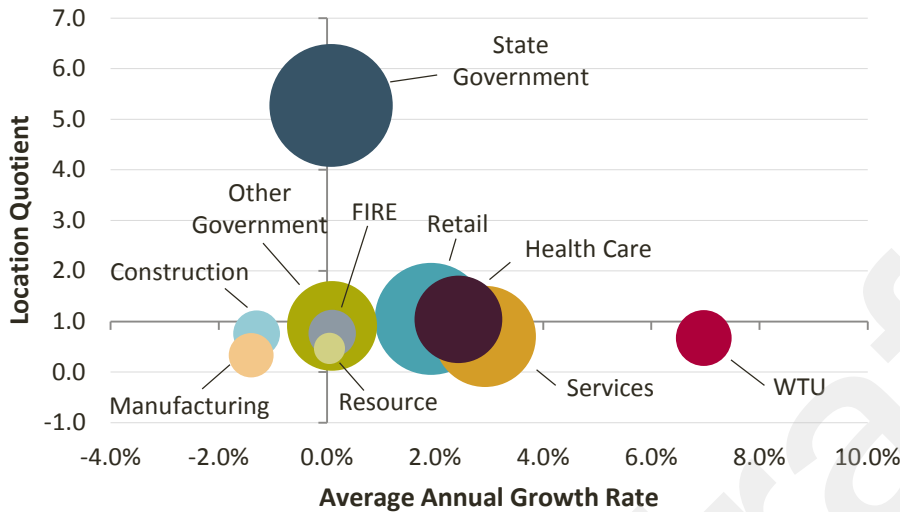
Employment growth

State government will remain a key industry in Thurston County, but its employment is forecast to decrease. State government is the largest employer in Thurston County, with 20,071² employees in 2013. Total state employment has been fairly flat since 2002, and has decreased since 2008. State government employment appears not to be growing in the near-term. This will likely affect demand for office space within the County. However, almost a third of state government employees statewide (32%) are over 55 years of age. As these employees retire over the next decade, many of those positions will likely be filled with younger employees. This trend could impact the demand for residential housing within Thurston County, regardless of the overall size of state government.

Fast growing industries are poised to play a greater role in the County's economy. Figure 2 compares average growth rates of key industries in the County. Since 2002, general services, retail, health care, and warehousing/transportation/utilities (WTU) accounted for the highest growth in employment. Construction and manufacturing were the only two sectors that decreased, albeit slightly. State government is (not surprisingly, given that Olympia is the State Capitol) highly concentrated in the economy, and will continue to influence downtown and City development trends. For example, while the State's office use has recently declined, in the last legislative session, it committed to a major investment in a 200,000 square foot office building downtown to accommodate its own needs for new office space. Adding this new square footage for State uses suggests that the existing vacancies in the private office market are unlikely to be filled with State workers, and that the City may continue to see a trend toward conversion of downtown office space to housing and other uses.

The City of Olympia is projected to accommodate an estimated additional 18,000 jobs by 2035.³ Of those, almost 75% of new jobs in Olympia will be in commercial sectors. Jobs in industrial sectors (10%) and government (15%) will make up the remainder of new employment. Countywide, the sectors with the largest forecasted new jobs are professional and business services. However, TRPC's forecasts have construction employment growing substantially with total construction employment more than doubling by 2040 from 5,620 in 2010 to 12,700. Manufacturing employment is also forecasted to increase but at a much slower rate adding about 500 jobs from 2010 to 2040.

Figure 2. Employment change, size, and location quotient³ for industries in Thurston County, 2002-2011



Source: Washington Employment Security Department, 2013; BERK, 2013

Acronyms: "WTU": Warehousing, Transportation, Utilities. "FIRE": Finance, Insurance, Real Estate

Notes for interpretation: Size of bubble shows relative size of industry as measured by number of employees; "location quotient" is a measure of industry concentration: a location quotient of 5 means that the industry is 5 times more concentrated than would be expected based on national averages.

Joint Base Lewis McChord has increased demand for housing in the region over the last 10 years, particularly Lacey, as the number of employees on base increased. In addition to direct employment, the base is an economic engine for the region, supporting local businesses with over \$200 million in government contracts. Current plans are to slightly reduce the number of active duty troops on base, thereby reducing total employment.⁴ As a result, JBLM is unlikely to be a source of growth for Thurston County in the near future, but should continue to be an economic cornerstone for the region, especially given that a high number of discharged staff permanently relocate in the region. According to JBLM, 6,000 individuals will separate service each year from 2012 through 2016 and that 40 percent plan to stay in Washington State.⁵

Regional development patterns

Since 2000, most development has occurred on vacant land in out-lying areas accessible to I-5 and major arterials. Continued population growth in the Puget Sound region will generate demand for additional housing and commercial services, such as general services, retail, lodging, and health care.

³ An index, defined in ratio form, that compares the proportion of a local activity to the proportion of that activity found at some larger geographic scale, such as the nation.

Multi-Family Residential

Recent multi-family (MF) development has not concentrated in any particular location, but has occurred throughout the County's urban areas. About a third of multi-family units were located in Olympia. Table 3 shows MF development in the County and Olympia since 2002.

Table 3. Multi-family development in Thurston County and Olympia, 2002-2012

	Thurston County	Olympia
Total MF units developed	3,000	1,023
MF units as a proportion of total units	13%	35%

Source: Washington Office of Financial Management

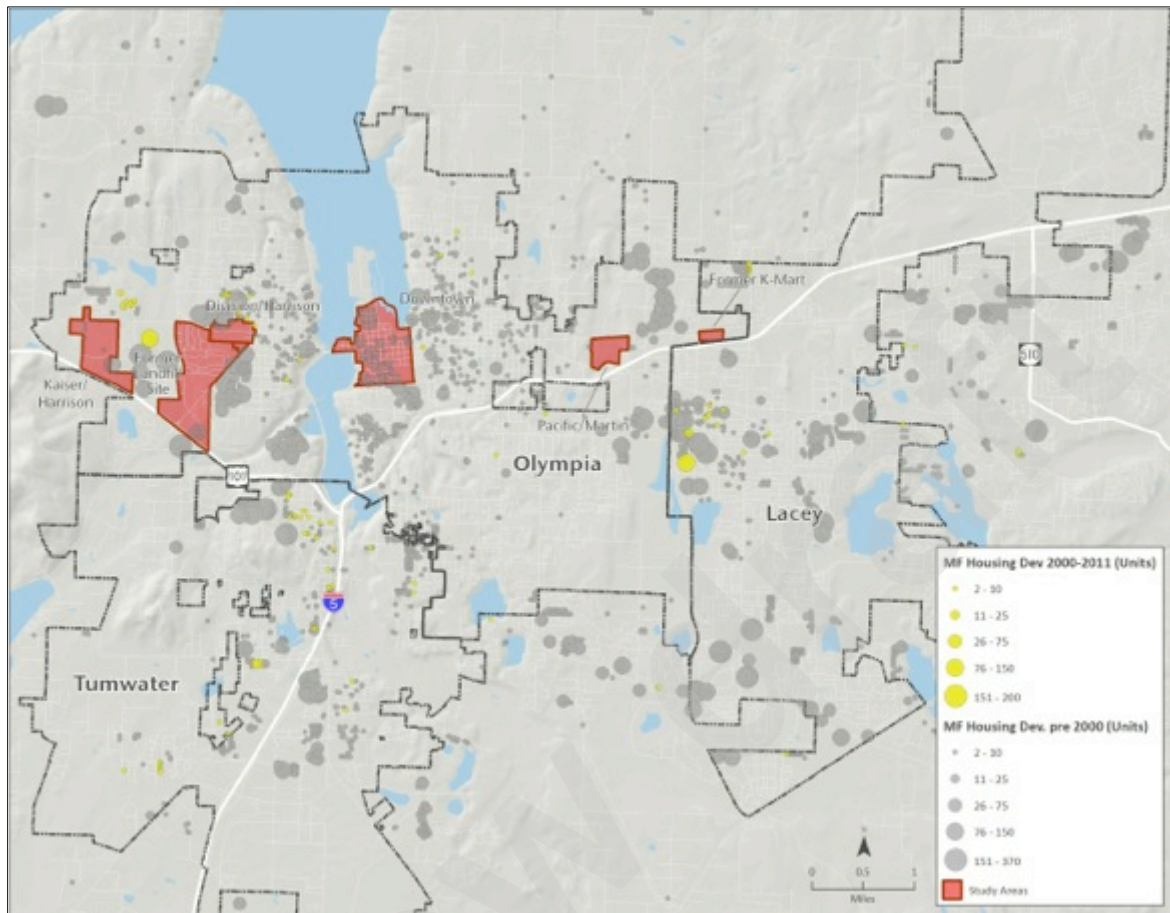
There are growing signs of an urban infill market in Olympia. In the last ten years, building activity in Olympia has focused on rehabilitating or remodeling existing space, rather than new development. As growth picks up, MF development will likely occur in easily developable and/or high amenity areas. The city saw a rapid increase in MF units in 2011 and 2012, with 652 units built over this time period. A number of large apartment complexes have been completed, including 18th Avenue Estates, Woodland Apartments, Red Leaf, Affinity, and Briggs Village South. The City has issued permits for Briggs Senior Housing, and is reviewing permits for Copper Ridge, Woodland Phase II, and Briggs Village North. According to the Department of Community Development, almost twice as many MF permits will be issued in 2013 than 2012.

Future growth in MF units will be driven, in part, by a changing demographic oriented to urban living. The aging baby boom generation and resulting decrease in household size will likely increase the share of MF units in Thurston County over the next 30 years. *New Home Trends*, in its study for TRPC, projected demand for over 14,000 new MF units between 2010 and 2030 almost 2.5 times the number of MF units developed per decade compared with the last ten years. TRPC estimates that by 2040 approximately 40% of new homes will be MF units, compared to about 22% today. TRPC's forecast assumes household size will decrease from 2.47 to 2.37 people by 2040.⁶

Population growth in people over age 55 and under 30 will drive the growing demand for multi-family housing. Since 2000, over 80% of new population growth in the County consisted of people over age 55 and between the ages of 20 and 34. This suggests an increasing demand for residential and other uses that accommodate both retirees and young families.

New types of MF units will be developed. Most MF housing built since 2000 has been in small developments, consisting of 10 or fewer units. While this trend is likely to continue, larger, multi-family projects will also likely be developed in downtown Olympia and mixed-use nodes throughout the city. New housing types will likely include accessory dwelling units, duplexes, townhomes, and senior assisted-living facilities. Demand for single-family housing will also continue, but is projected to comprise a smaller share of future development.

Figure 3. Multi-family housing development by units



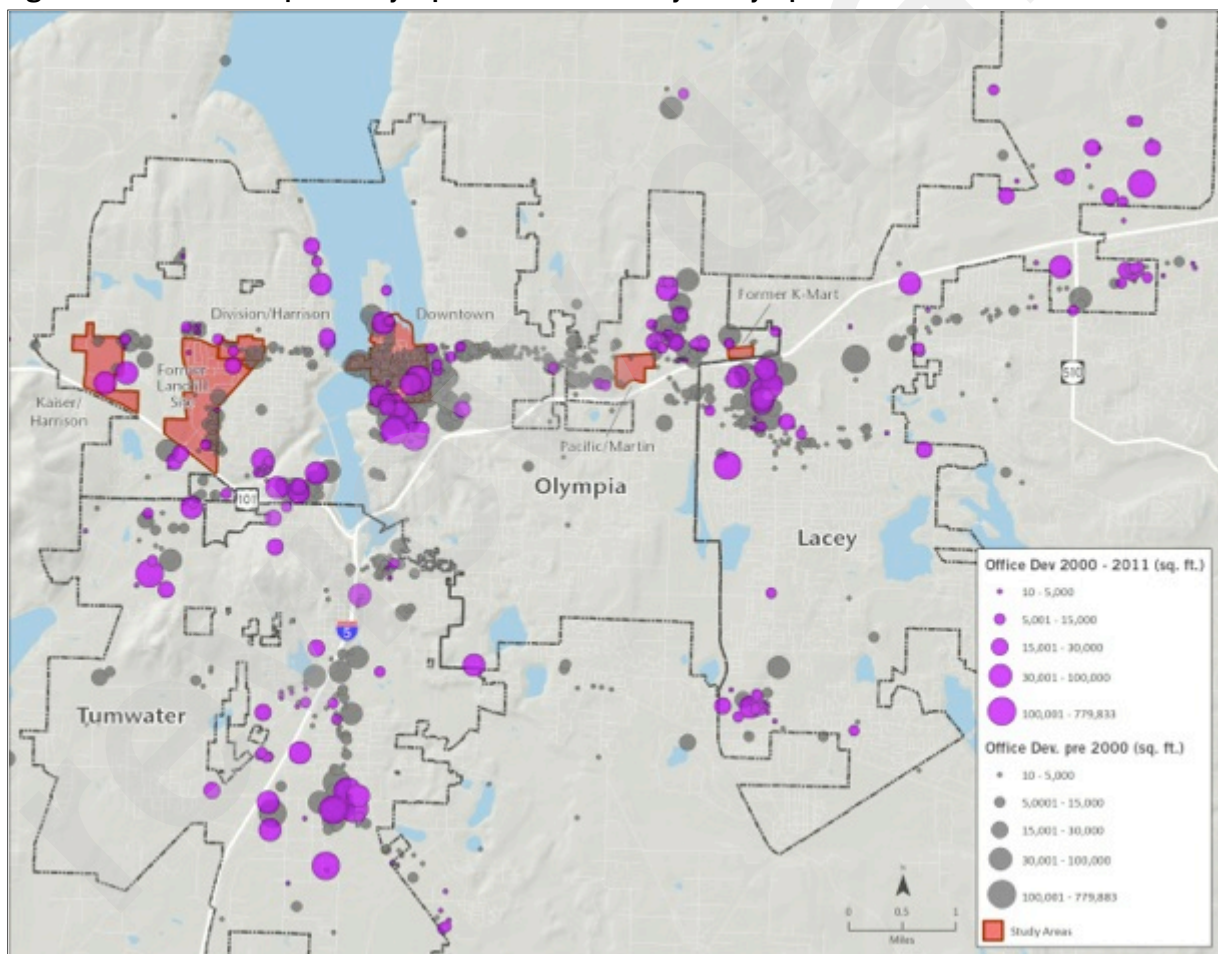
Source: Thurston Regional Planning Council, 2011; BERK, 2013

review

Office

Downtown Olympia, Lacey, and Tumwater are the major office clusters in the region, as shown in Figure 4. A limited amount of office development (670,000 total square feet) has occurred in the region since the start of the recession in 2008, including the new Department of Information Services building in 2010. Only one privately built Class A office building was constructed during this period (185,000 total square feet). Overall, throughout the region, a high vacancy rate exists (11.2% in the first quarter of 2013) for all classes of office space. This vacancy rate is due, in part, to recent office vacancies by state agencies. With decreased State demand for office space, some property owners will look to repurpose existing office space. As mentioned earlier, the State is also considering constructing a 200,000 SF office building on the Capitol campus, along Capitol Way. These developments will further impact the office market.

Figure 4. Office development by square feet in the City of Olympia



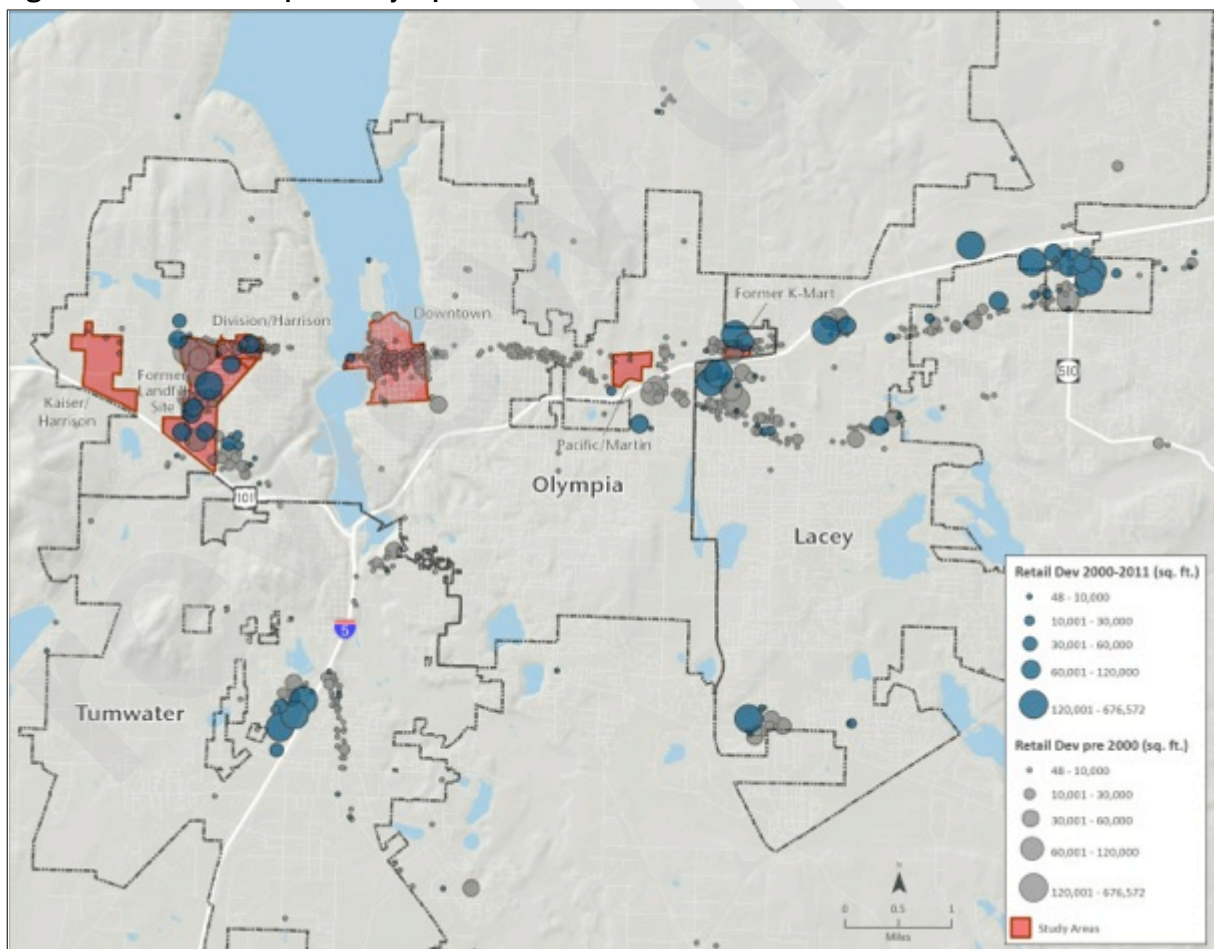
Source: Thurston Regional Planning Council, 2011; BERK, 2013

Retail

Since 2000, most retail development has been large scale, auto-oriented, located near highway interchanges, as shown in Figure 5. On a per square foot basis, sales have declined in most of Olympia. Two exceptions are Pacific/Martin, which saw two new businesses open, and Division/Harrison with increased retail sales per square foot since 2009. Currently, retail productivity in Division/Harrison is similar to downtown Olympia. The City lacks a retail attraction and retention strategy to attract destination retailers, such as IKEA or Nordstrom, from outside the existing marketshed.

National research suggests that a typical household supports approximately 70 square feet of retail space. 15 square feet of which could be neighborhood retail or services (such as the type of retail found along Martin Way in Olympia or at Division/Harrison) within walking distance.⁷ For example, a 30,000 square foot neighborhood retail center could support about 1,000 homes within a convenient walking distance of a quarter-mile, and another thousand households that are slightly farther away.

Figure 5. Retail development by square feet



Source: Source: Thurston Regional Planning Council, 2011; BERK, 2013

Hotel

Olympia's existing hotels and motels are mostly oriented along Interstate-5, with a few located closer to downtown. Olympia has seen a limited number of new hotels/motels built since 2000. Spending on hotels and motels in Thurston County showed strong growth from 2000 to 2007 with an annual average of 5.7%. Spending dipped in 2009. While data for Thurston County is unavailable, statewide visitor spending on hotels and motels rebounded in 2010 and is now close to 2006 levels. The return of hotel occupancy rates and revenues to pre-recession levels has brightened the investment outlook for lodging in the region. Currently, there are plans for potentially two new hotels in Downtown Olympia, but these plans remain preliminary and fairly uncertain and two new hotels are in for development review along the 1-5 Corridor.

1.3 Barriers to development on opportunity sites

Recent development patterns indicate the following barriers to development and redevelopment in the opportunity areas evaluated in this report:

- **Rents are too low to support costs of new construction.** Rents for most development types are still recovering from the recent recession, which makes it difficult for new development to substantially increase the income potential of a property through redevelopment. Without incentives and other supports, the majority of new development will likely choose the easiest and cheapest sites before embarking on challenging in-fill development projects like those identified in some of the opportunity areas.
- **Infill/Redevelopment opportunities.** Most of the opportunity areas are built out, with existing uses providing income to their owners. For redevelopment to be financially feasible, these properties need to generate higher rents.
- **Financing.** Developers sometimes face difficulty in obtaining financing for new product in areas where the market for that product is unproven.
- **Competition.** Easily developable sites are available throughout the region, providing multiple site options from which to choose. These lower-cost sites create competition for the opportunity areas.
- **Infrastructure deficiencies.** Encouraging growth in certain areas will require focused infrastructure investment. In some cases, this will mean additional roads to provide access into the core of a site. In other cases, streetscape enhancement projects and open space projects will support mixed-use, infill projects.
- **Lack of community consensus on growth.** Opportunity sites do not have an agreed-upon vision that is championed by surrounding property owners and community members. As a result, challenges to development proposals are more likely and common.

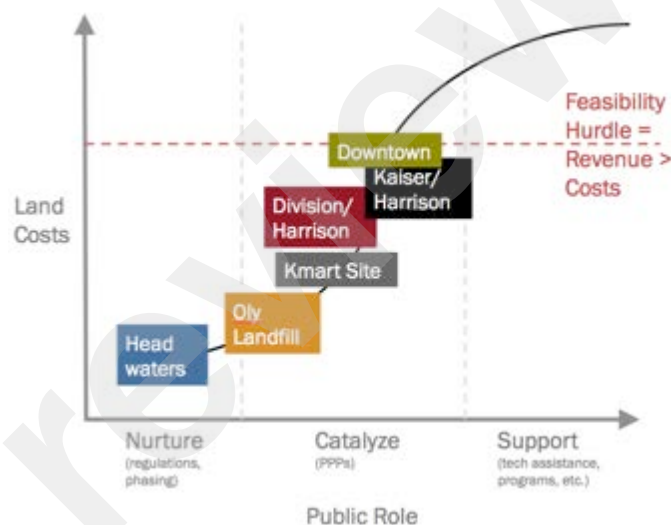
1.4 Framework for public action and investment

From a private real estate development perspective, people invest in real estate to realize financial gain from rents paid by tenants. Tenant's willingness to pay higher rents depends on their preference for a particular location over others. Generally, three key elements influence private real estate development decisions:

- 1) **Market conditions** including rent levels, land values, vacancy rates, availability of financing, competing supply, etc.
- 2) **The regulatory framework and infrastructure** that shape development plans and serve available land.
- 3) **The availability/suitability of land**, including property ownership patterns, soil conditions, etc.

The public sector, cities in particular, can influence real estate markets and redevelopment potential using a variety of tools, including community renewal, development regulations, incentives, infrastructure investments, and, in some cases, partnering with the private sector to improve development feasibility. To evaluate the most effective role for the City in each of these opportunity areas, we suggest a feasibility spectrum with a set of potential public-sector roles and related actions. Figure 6 shows where each opportunity area sits on a conceptual "market feasibility" curve. As rents increase relative to development costs, a project's market feasibility

Figure 6, Opportunity areas on the feasibility spectrum



Source: ECONorthwest and BERK, 2013

increases. When market feasibility reaches the redevelopment hurdle, private investment decisions lead to new construction. The challenges that developers face differ based on where their projects sit relative to the feasibility hurdle. Actions that the City might take to incent or encourage redevelopment also differ accordingly. Generally, the City can think about its possible actions in three categories, or phases of feasibility: "nurture", "catalyze", and "support."

These phases, described in more detail and with additional

information about the opportunity areas in Table 4 are broad and are not mutually exclusive, but they do imply different public actions. Public actions are part of a dynamic continuum, and can change in relation to a specific opportunity site as market conditions or other factors change. A strategic approach to community development (the final outcome of this report) provides a means of tracking the variables that lead to different placement of a development project relative to a feasibility hurdle (for example, different rent levels, different property

owner disposition, different levels of public amenity), so that the actions that the public sector takes are targeted to overcoming the right challenges. In other words, the point is to illustrate the difference in the relationship of public actions to private investment as an area grows and / or market feasibility changes.

Table 4. Overview of actions in opportunity sites, based on phase of feasibility

Phase	Nurture: Laying the policy and infrastructure groundwork for areas that lack proven markets.	Catalyze: Reduce development costs and make the area more attractive for investment by covering infrastructure or other costs, changing regulatory framework, or other actions. ⁴	Support: Support and shape desired types of development, including enforcing existing codes and continuing to maintain infrastructure.
Challenge in this Phase	Development that aligns with public vision is not occurring and faces significant market and feasibility challenges.	Development in these areas is generally thought to be “on the cusp” and may need some public support to be financially viable. Some vision-aligned development may be occurring.	Development that aligns with the community vision has occurred and will continue to; the challenge is managing growth to match future development needs.
Opportunity Sites in this Phase	Olympia Landfill and Headwaters	Division/Harrison Former K-Mart Site Kaiser/Harrison	None identified in this report
Overview: Actions in Opportunity Sites	Land use regulations, critical infrastructure needs to support development readiness, and developing partnerships with property owners and the community to help create an environment that can support new or higher levels of activity.	Support market-making projects (e.g. the demonstration of market feasible projects). Typically consists of fee waivers, tax exemptions, the provision of specific types of public infrastructure (i.e. plazas, utilities, amenities, etc.), property assembly, zoning changes to align with market, and/or property disposition.	Manage the challenges of success, such as congestion, lack of quality public spaces or amenities, and service expansion (i.e. transit). Continue implementation of vision through code enforcement and permitting.

⁴ Note that this type of action is limited in the State of Washington by very strict constitutional lending of credit prohibitions. Actions that directly subsidize private development are not allowed, except in certain circumstances, such as in an adopted Community Renewal Area. However, regulatory and other approaches are possible.

2. Action Plan

For the City to evaluate all of its opportunity areas, Table 5 recommends targeted infrastructure investments and changes to regulations and programs that align with the vision and desired actions for each area. Given short-term development opportunities, the City should focus its first efforts on implementation in the K-mart Site and the Kaiser/Harrison area. This section details the development character, policy goals, and potential actions for each opportunity area.

Table 5. Development actions over time by opportunity area

Vision for the area	KEY ACTIONS		
	Short term	Medium term	Long term
Headwaters (Nurture)		Key actions →	→
Residential, strip retail, or offices that take advantage of the area's strategic location and wetland amenity.	Coordinate with existing planning: Martin Way Infrastructure Study Explore property owner interests and meet with InterCity Transit	Develop a vision: Master planning Explore property owner dev't interest	Fund infrastructure improvements
Olympia Landfill (Nurture)		Key actions →	→
Large scale mixed-use development with a retail presence	Assess development barriers: complete environmental assessment	Develop a vision: Planned Action or subarea plan Explore property owner dev't interest	
K-mart Site (Catalyze)	Key actions →		→
High-density retail node with potential hotel development.	Investigate short-term development opportunities: Meet with property owners, provide technical assistance Coordinate with existing planning efforts: Martin Way infrastructure Study	Evaluate infrastructure improvements	Fund infrastructure improvements
Division/Harrison (Catalyze)	Key actions →	→	
A pedestrian-friendly neighborhood center with 3 to 4-story mixed-use consisting of street-oriented retail and office or residential upstairs.	Study improvements to pedestrian environment: Develop regulations and design guidelines, explore freight diversion, coordinate with proposed park	Fund infrastructure improvements Explore development opportunities	Support the area and explore additional development opportunities
Kaiser/Harrison (Catalyze)	Key actions →	→	
A neighborhood center that includes services, retail, and multi-family housing.	Reduce development barriers for mixed-use development: Fix zoning issues, develop planned action or subarea plan	Fund infrastructure improvements and coordinate with Infrastructure Justification Report	Support the area and explore additional development opportunities

2.1 Headwaters: Nurture



Source: Thurston Regional Planning Council, 2011; BERK, 2013

Headwaters is strategically located near I-5 and Providence St. Peter Hospital. However, it faces many infrastructure and site development challenges. Potential development includes residential, strip retail, or offices.

CURRENT DEVELOPMENT CHARACTER

As part of the old Highway 99 retail corridor, this area has unusually expansive, as yet undeveloped right ways that could be developed into a high-amenity, multi-modal public transportation. Key businesses nearby are the Mark Twain Diner, Ralph's Thriftway, and the Olympia Food Co-op. Intercity Transit owns a key parcel, and is interested in expanding its bus terminal at the site.

POLICY GOALS

- Develop a mixed-use project, with high-intensity commercial and offices, and high-density multifamily residential uses on aggregated parcels, that takes advantage of the existing wetland and views amenity, good visibility and accessibility to I-5, and strategic location near medical and retail services along major transportation corridor.
- Extend Ensign Road through the property to create greater transportation connectivity in the area.
- Create a safe, convenient, and attractive environment for pedestrians, transit riders, commercial and private vehicles, and cyclists.
- Preserve and protect existing wetland.
- Coordinate with Intercity Transit on the development of its maintenance center to ensure consistency with the City's Comprehensive Plan goal of creating mixed-use and pedestrian friendly development along the Martin Way corridor.

DEVELOPMENT BARRIERS

- Inadequate roads and utility infrastructure. New development would need to allow for the extension of Ensign Road, which is included in the City's Comprehensive Plan as a major collector and is planned to extend through the property and connect Martin Way and Pacific Avenue.
- Challenging pedestrian environment and no public transportation

LAND USE

Zoning	High Density Corridor 4
Vacant acres	17.2
Pot'l acres for redev't	17.9

POPULATION AND EMPLOYMENT

Population	0
Housing units	4
Employment	0

MARKET INFO

Average assessed land value per SF:	\$2.71
Property sales since 2008	0
Office rent □PSF / vacancy	\$17.64 / 6.3%
Retail rent PSF / vacancy	\$12.12 / 9.2%

Sources: CoStar 2013 Westside Subarea, Thurston Regional Planning Council, City of Olympia

- Site aggregation
- Vacant buildings
- Environmental constraints, including wetlands and potential brownfields in the area.
- Low land values. With the exception of Thriftway, Olympia Food Co-op, a motor inn, adult video store, and a few eateries, there is little economic activity within the opportunity area.

DEVELOPMENT AND PARTNERSHIP OPPORTUNITIES

Large portions of this opportunity area are vacant or redevelopable, but significant infrastructure improvements would be required.

- **RETAIL:** Presently, the most likely near-term uses are commercial on undeveloped properties fronting Pacific Avenue or Martin Way. While 2011 and 2012 saw a jump in retail sales, from nothing previously, the square footage of retail in the study area is still very low (less than 7,000 square feet).
- **MULTI-FAMILY:** No multi-family housing exists in the area, and little development has occurred recently in the surrounding area. Because this site is located close to medical facilities, retail, and a wetland amenity, the area may be suitable for affordable or senior housing.
- **OFFICE:** Office rents in East Olympia held relatively steady, and vacancy rates have decreased slightly in the last few years. Office uses might be viable on this site as part of large-scale redevelopment plans.

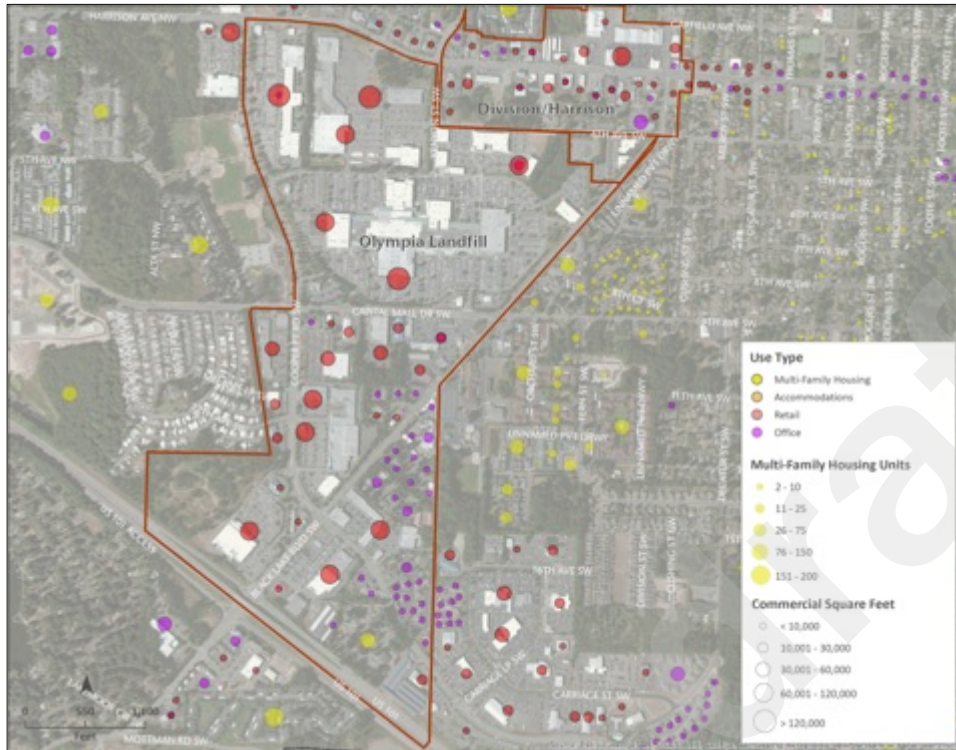
DEVELOPMENT INTEREST

There has been little interest in developing this site, and, consistent with its characterization as being in the “nurture” phase, the site needs significant public investment. Winco Foods did pursue the area in 2009. Only two building permits have been issued for remodels within this area and no new construction has occurred in the past 10 years.

ACTIONS

	Short term	Mid term	Long Term
Regulatory	Evaluate appropriate zoning or regulatory tools	Planned action or subarea plan to clearly identify and establish wetland boundaries and other constraints.	
Infrastructure	Coordinate project with Martin Way. Infrastructure planning project. Identify infrastructure needs and potential funding sources – LIFT/LRF/CERB/LID	Develop master plan with implementation actions and infrastructure funding, and wetland assessment Evaluate other funding tools, including LID, joint financing of infrastructure, LIFT (if funding becomes available), Local Revitalization Funding, federal environmental assessment grants	Implement funding tools, such as an LID
Partnerships/ Tools	Meet with Intercity Transit to evaluate development objectives for their sites and explore joint development opportunities. Develop relationships and provide technical assistance to property owners about development tools, including LIHTCs, EB-5, etc. Developer Roundtable to evaluate development potential.	Meet with property owners to explore development interest and a potential horizontal development entity (a legal agreement among property owners to pool their land and jointly develop it, and then share all revenues), or softer arrangement without formal legal agreement to form partnership	

2.2 Olympia Landfill: Nurture



Source: Thurston Regional Planning Council, 2011; BERK, 2013

The former Olympia landfill area is currently undergoing a brownfield assessment to evaluate remediation needs. This area has the potential to be an even stronger retail center than it already is, especially if the City can leverage this land to encourage large-scale development on the landfill and adjacent sites.

POLICY GOALS

- Large-scale mixed-use redevelopment incorporating retail, residential, and potential other uses.
- The area consists mainly of auto-oriented retail uses. At present, the area will most likely attract large-scale retail uses.

CURRENT DEVELOPMENT CHARACTER

This site is one of the more concentrated retail areas in Olympia and serves as a retail destination for residents throughout the area.

DEVELOPMENT BARRIERS

- Most land is already developed
- Environmental contamination
- Multiple ownerships
- Rents for any use are not yet high enough to justify conversion of existing buildings or redevelopment.

DEVELOPMENT AND PARTNERSHIP OPPORTUNITIES

If the City's parcel can be cleaned up and contamination on adjacent parcels mitigated, the City can use its

LAND USE

Zoning	High Density Corridor - 4, General Commercial
Vacant acres	2.8
Pot'l acres for redev't	32.19

POPULATION AND EMPLOYMENT

Population	225
Housing units	116
Employment	5,000
Industrial	130
Government	320
Retail	2,190
Other	2,360

MARKET INFO

Average assessed land value per SF:	\$8.02
Property sales since 2008	5 at \$32.81/Sf
Office rent □ PSF / vacancy	\$16.82
Retail rent PSF / vacancy	\$16.82

Sources: CoStar 2013 Westside Subarea, Thurston Regional Planning Council, City of Olympia

land to leverage new development.

- **RETAIL:** Retail sales and productivity in the area have declined every year since 2008. Nevertheless, it is still one of the highest grossing retail areas in the city. Potential for new retail development exists given the area's high traffic counts and market draw.
- **MULTI-FAMILY:** Low vacancy rates and modest rents within the city suggest a near-term demand for multi-family residential, including senior and affordable housing.
- **OFFICE:** Rents in the Westside submarket have been falling and vacancy rates are above 10%. Despite this, there is interest in potential Class A office space that would be integrated with mixed-use development.

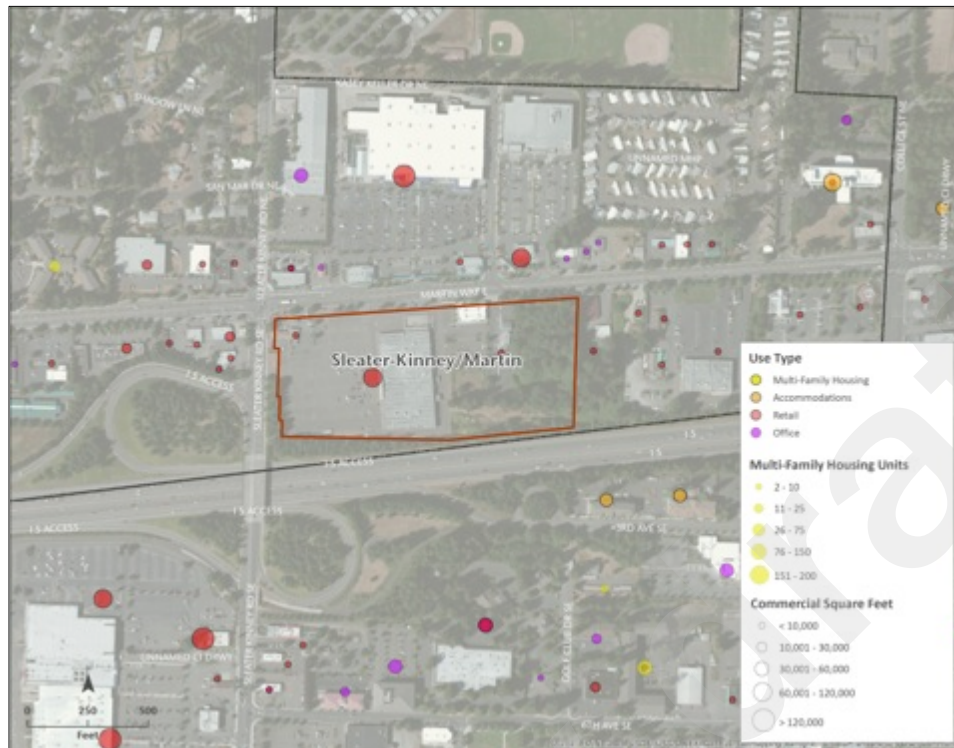
DEVELOPMENT INTEREST

- Most investment activity in the area has involved remodeling or rehabilitating existing buildings, with only limited new construction. Some interest in higher-density mixed-use development existed in this area prior to the recession in 2008, but has since diminished.

ACTIONS

	Short term	Mid term	Long term
Regulatory	Complete already funded environmental assessment		
Infrastructure		Evaluate needed infrastructure	
Partnerships/ Tools	Provide technical assistance to property owners about development tools, including New Market Tax Credits (this is an eligible area), LIHTCs, EB-5, etc. Develop a relationship with key property owners in the area, including the vacant site and hospital.		

2.3 K-mart Site (Sleater Kinney/Martin Way): Catalyze



Source: Thurston Regional Planning Council, 2011; BERK, 2013

The City's long-term vision for the K-Mart site is a high-density retail node. In the near term, this area presents retail or hotel development options that will capitalize on the area's good location (proximate to downtown, along a major transportation corridor, and with freeway access and visibility).

CURRENT DEVELOPMENT CHARACTER

Strip commercial along a high-traffic corridor with freeway access. This opportunity area is located close to Providence St. Peter Hospital, the Chehalis Western Trail, and Lacey's Woodland District.

POLICY GOALS

- Develop an active mixed-use corridor with retail development design that matches community vision (closer to street frontage to improve walkability and higher density), increased residential density, hotels, and other uses as compatible with the Comprehensive Plan and the work of the Urban Corridors Task Force.
- Cultivate complementary development, including the possibility of medical office space and senior or affordable housing, near healthcare facilities (Providence, etc.)
- Make investments informed by and consistent with the Martin Way corridor study.
- Orient development so it can take advantage of the area's proximity to the Chehalis Western Trail crosses Martin Way and Pacific between Lilly and Sleater Kinney.

DEVELOPMENT BARRIERS

- Freeway access limited to one direction and lacking a full cloverleaf.
- Challenging Pedestrian environment.
- Ownership of the corner parcel is key for developing this site.

LAND USE

Zoning:	General Commercial/Urban corridor
Vacant Acres	0
Pot'l acres for redev't	14.9

POPULATION AND EMPLOYMENT

Population	0
Housing units	0
Employment	0

MARKET INFO

Average assessed land value per SF:	\$9.77
Property sales since 2008	1, \$21.61/sf
Office rent / PSF / vacancy	\$16.20 / 18.9%
Retail rent PSF / vacancy	\$17.65 / 4.2%

Sources: CoStar 2013 Westside Subarea, Thurston Regional Planning Council, City of Olympia

- The large parcel with the former K-Mart building currently produces no income, lowering the redevelopment hurdle.
- Given increased office vacancies and decreased office rents nearby in Lacey , this location would likely be unsuited for office development.

DEVELOPMENT AND PARTNERSHIP OPPORTUNITIES

Given the K-Mart site’s proximity to Lacey’s retail core and highway access, and visibility, it could be a viable location for re-use or redevelopment.

SENIOR OR AFFORDABLE HOUSING: Given the K-mart site’s proximity to Providence Hospital and other health care services, as well as retail destinations, it could be a desirable location for senior or affordable housing. The City could work with developers to explore potential alternative financing tools.

RETAIL: Lowe’s and Safeway are popular retail destinations in this area. However, retail sales per square foot are far below the rates for the Olympia as a whole and have been in steady decline for several years. Given the right tenant, this could be a viable location for large-format retail.

HOTEL: Given its close proximity to the highway, medical facilities, and large format retail, this site would be a suitable location for a hotel, potentially with conference space.

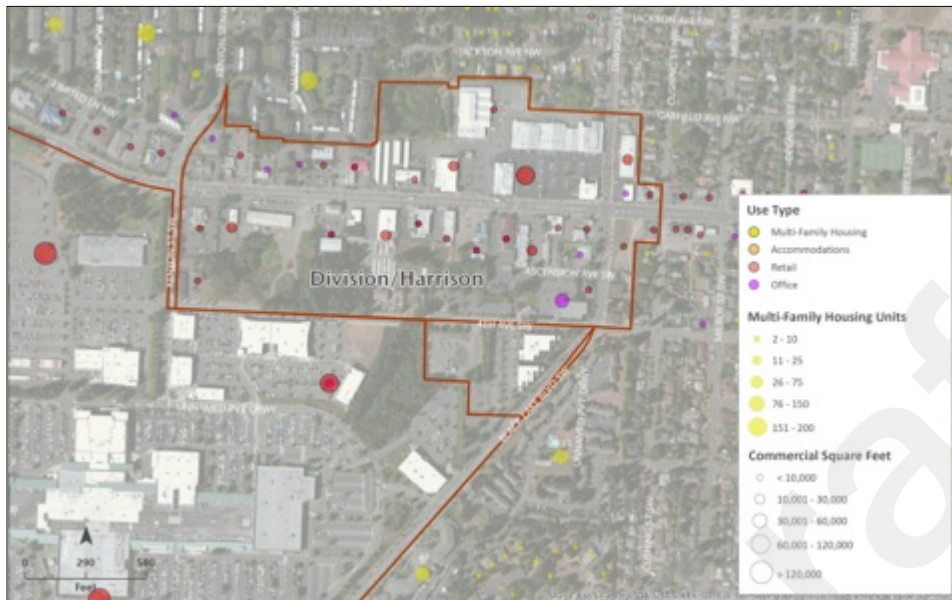
DEVELOPMENT INTEREST

This area has seen significant interest from potential developers, but, consistent with its classification as an area in the “catalyze” phase, market challenges exist to achieving the vision described above. A previous effort to build an urban-scale mixed use development with a pedestrian-oriented mall environment failed. A Hampton Inn will be going in on the property immediately to the east.

ACTIONS

	Short term	Mid term	Long Term
Regulatory	Regulations/design guidelines in place so that new (likely retail) development is more street oriented and pedestrian friendly		Corridor plan or subarea plan demonstrating comp plan that links investments with private development
Infrastructure		Streetscape enhancements to promote walkability	LID Joint funding of infrastructure
Partnerships/ Tools	Develop relationships and provide technical assistance to property owners about development tools, including LIHTCs, EB-5, Section 108, etc. Developer Roundtable to evaluate development potential on specific sites	Provide technical assistance to property owners about development tools, including Section 108, LIHTCs, EB-5, etc. (see Appendix A)	

2.4 Division/Harrison: Catalyze



Division/Harrison is envisioned to be a pedestrian-friendly neighborhood center with 3 to 4-story mixed-use consisting of street-oriented retail and office or residential upstairs.

LAND USE

Zoning	Urban corridor 3
Vacant acres	8.4
Pot'l acres for redev't	18.5

POPULATION AND EMPLOYMENT

Population	15 (est.)
Housing units	8
Employment	870
Industrial	30
Government	130
Retail	170
Other	540
Commercial	

MARKET INFO

Average assessed land value per SF:	\$11.04
Property sales since 2008	4 Sales, \$40.74 per SF
Office rent □PSF / vacancy	\$16.82 / 10.9%
Retail rent PSF / vacancy	\$16.82 / 6.8%

Sources: CoStar 2013 Westside Subarea, Thurston Regional Planning Council, City of Olympia

CURRENT DEVELOPMENT CHARACTER

Arterial, strip-mall corridor surrounded by residential neighborhoods and Capital Westfield Mall. Retail activity is healthy.

POLICY GOALS

- Pedestrian-oriented, high-density corridor/neighborhood center with easy transit access to downtown Olympia.
- Improve the transition to surrounding residential neighborhoods.
- Make improvements to the area so that it becomes the “Black Hills Gateway” that would serve as the western gateway to Olympia (2013, currently in Planning Commission).

DEVELOPMENT BARRIERS

- Significant opposition to past development ideas has existed in the past, and there is a lack of community consensus about the desired character of the area.
- Freight traffic on Harrison impedes pedestrian activity, should be using truck route.
- Disaggregation: The area is composed of many small parcels that would need to be aggregated to make viable development sites.
- Access: Many developable parcels lack direct street access . The area lacks pedestrian connectivity to surrounding neighborhoods.

- Dilapidated retail storefronts with high rents and poor property management.
- While the site has a number of underutilized parcels, most properties are already producing income. . This increases the redevelopment hurdle for these sites.
- Lack of north/south connectivity.

DEVELOPMENT AND PARTNERSHIP OPPORTUNITIES

Division/Harrison has great potential to become Olympia’s next neighborhood center, serving as a destination for residents of adjacent neighborhoods and beyond. It serves as the western gateway for downtown with good existing urban infrastructure, good visibility, and through traffic. Organized neighborhood associations in the area are available to help develop a vision for quality development in this area, and provide important partnership opportunities. In addition, the City may be able to catalyze development because it owns two parcels on the north side of 4th Avenue in this area.

- **RETAIL:** Increasing taxable retail sales, particularly for food service (restaurants), indicates the economic health of businesses in the area is improving. Several popular neighborhood businesses, including Vic’s Pizza, DiGormo’s, and Le Phom are helping to define the character of this area.
- **MULTI-FAMILY:** Low vacancy rates and modest rents within the city suggest a near-term demand for multi-family housing, especially if integrated with mixed-use development that can help strengthen the area’s desirability as a pedestrian destination.
- **OFFICE:** Rents in the Westside submarket have been falling and vacancy rates are above 10%. The heart of West Olympia could attract Class A office space that isn’t a single use.

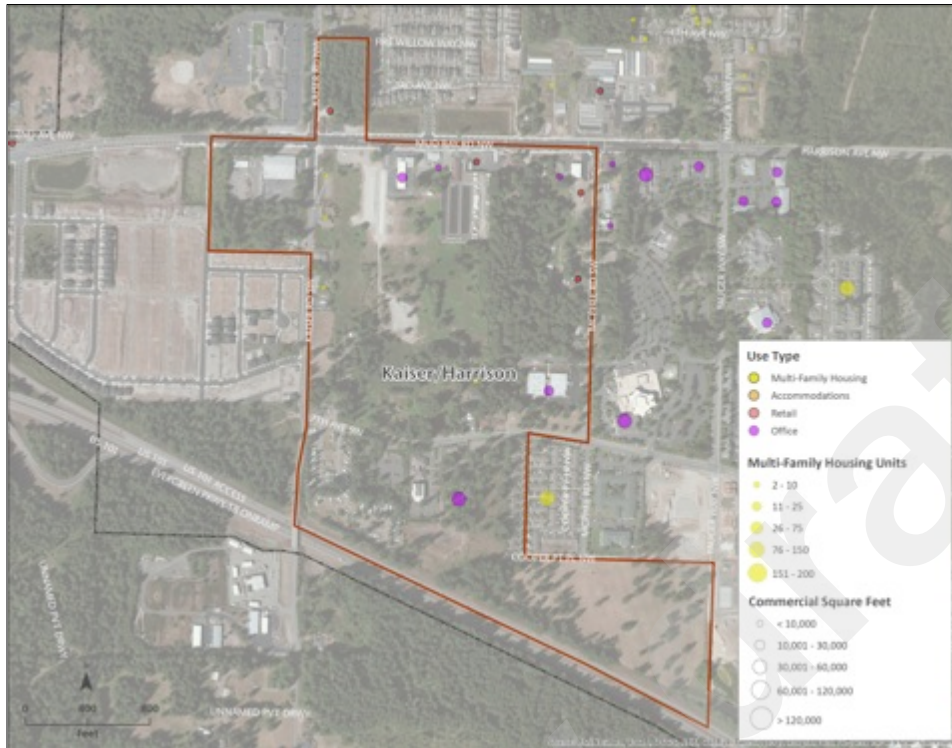
DEVELOPMENT INTEREST

The opportunity area has had a low but consistent level of development activity over the past decade. Most of the recent activity has been low-value remodels/rehabilitations. Recent development is limited to the West Central Park on the SE corner of Division and Harrison.

ACTIONS

	Short term	Mid term	Long Term
Regulatory	Coordinate City investments with proposed park at Division/Harrison.	Planned Action/ Subarea plan demonstrating comp plan that links investments with private development.	
Infrastructure	Explore freight diversion options on Harrison Street to encourage a pedestrian-friendly environment.	Evaluate needed infrastructure and funding options, including a Local Improvement District, LIFT/LRF funding (no funding currently), etc.	
Partnerships/ Tools	Develop relationships and provide technical assistance to property owners about development tools, including New Market Tax Credits (this is an eligible area), tax credits, EB-5, etc. Convene a developer roundtable to evaluate development potential on specific sites.		

2.5 Kaiser/Harrison: Catalyze



Source: Thurston Regional Planning Council, 2011; BERK, 2013

Recent residential development in this area has led to a need for a neighborhood retail and service center. As a large site under one ownership, this area has the potential to fill a niche for services, retail, and multi-family housing.

LAND USE

Zoning	Medical Service/MF/Professional Office
Vacant acres	37.1
Pot'l acres for redev't	25.3

POPULATION AND EMPLOYMENT

Population	90
Housing units	88
Employment	400
Industrial	10
Government	50
Retail	10
Other	330
Commercial	

MARKET INFO

Average assessed land value per SF (2013)	\$2.77
Property sales since 2008	4 at \$12.02/sf
Office rent □PSF / vacancy	\$16.82 / 10.9%
Retail rent PSF / vacancy	\$16.82 / 6.8%
Retail sales PSF	\$32.81

Sources: CoStar 2013 Westside Subarea, Thurston Regional Planning Council, City of Olympia

CURRENT DEVELOPMENT CHARACTER

- No construction has occurred in this opportunity area in the last 10 years.
- Multi-family development is occurring adjacent to this area. Several of the city's largest single-family projects are in close proximity, including College Station, Woodbury Crossing, Evergreen Heights, Bay Hill, and Cyrene.
- A small amount of retail uses exist within the study area, almost all related to food service.
- Presence of possible blight at the RV park on the SE corner of Kaiser and Capital Mall Drive.

POLICY GOALS

The City has not updated its policy goals for this area, but there is interest in mixed-use, retail development that would provide employment and services for surrounding neighborhoods. The City has funded an interchange justification report, which would continue the process of examining a full interchange with US 101 and Kaiser Road, which could significantly affect future development potential for the area.

DEVELOPMENT BARRIERS

- Inappropriate zoning for desired and market-supported use.
- Rents may not be high enough to support new multi-family residential development.

DEVELOPMENT AND PARTNERSHIP OPPORTUNITIES

The opportunity area is relatively undeveloped and has extensive greenfield (vacant and underutilized property) opportunities.

- **RETAIL:** Upgrades to Harrison, combined with neighboring housing, has improved the potential for retail development. Due to the areas proximity to the Capital Medical Center, commercial development associated with health-care and medical services is a future possibility. The large amount of housing and lack of retail establishments in the area may provide an opportunity for small, local serving retail.
- **MULTI-FAMILY:** While a large amount of housing development has occurred nearby, the area could likely support more.
- **OFFICE:** Rents on the Westside have been falling and vacancy rates are above 10%. West Olympia could incorporate Class A office space into a mixed-use development, especially medical offices near Capital Medical Center.

DEVELOPMENT INTEREST

The property owner was developing an office park, but is currently evaluating of the feasibility of shifting to a mixed-use development with retail, office, and residential. The State has also built a new building on the capitol campus, and has less need to develop additional office space in the area.

ACTIONS

	Short term	Mid term	Long Term
Regulatory	Address zoning issues by implementing a master planning, community renewal, or subarea planning aimed at encouraging zoning changes that permit retail and residential uses, such as High Density Corridor. Potentially, this work could be paired with a planned action.		
Infrastructure	Evaluate infrastructure needs with the property owner. New infrastructure should complement the potential addition of a highway interchange at Kaiser Road.	Develop an Interchange Justification Report to get state and federal approval to modify highway access. Note that the outcome of this report could require reconsideration of development vision for the site, and a more dynamic approach to public actions in the area.	
Partnerships/ Tools	Provide technical assistance to property owner about development tools, including New Market Tax Credits (this is an eligible area). Develop a relationship with key property owners in the area, including the vacant site and hospital.	Evaluate the use of low-interest hospital tax bonds for development adjacent to the hospital	

3. Launching an ongoing development strategy

This document evaluates opportunities for community and economic development in Olympia in a format defined by the Ad Hoc Committee, and proposes an initial set of actions for implementation. The list is “initial” because it is intended to provide a template and approach to reevaluating and adjusting the strategy as market conditions and development realities change in each opportunity area. As the City moves from short-term to mid-term actions, the actions identified in this strategy will likely evolve.

In this context of dynamic change, this report also proposes a new approach to addressing development opportunities in Olympia. **Perhaps the most important recommendation is the City should use this template and initial set of actions to develop a process for continuously reviewing and updating information related to the opportunity sites addressed in this report.** Related to this, the City will need to determine how to best develop the internal capacity for an ongoing process to support implementing priority investments in redevelopment projects, and to support ongoing community conversations about a development vision and strategy on a city-wide basis.

This new approach to community development should proactively:

- **Review changing market dynamics** to identify new barriers and opportunities to allow the City to invest in the most market-feasible projects.
- **Develop relationships with property owners and other stakeholders to learn about their interests and short-term and long-term development goals.** Given the barriers to development described in this report, the City will need to establish new partnerships with property owners and developers if it wishes to achieve development in the opportunity areas that is compatible with the City’s Comprehensive Plan. Community and neighborhood stakeholders are also critical to this process.
- **Continue and improve community conversations to better clarify and articulate desired development outcomes and coordinate stakeholders’ visions for development.** This work would help to refine the City’s policy goals for the opportunity areas and other areas through the comprehensive planning process. Given long-term demographic shifts, the City should support higher density, infill development to achieve multiple public policy goals.
- **Take advantage of opportunities when they present themselves,** which may mean that the City would focus on new opportunity areas, or move forward with actions in existing opportunity areas ahead of schedule.
- **Coordinate funding opportunities with other public stakeholders** (the County, transit agency, the Port of Olympia, the State of Washington, others) with the City’s CFP for major infrastructure investments that move the implementation forward.
- **Coordinate with planning and implementation in key opportunity areas.** Some initial steps toward implementation are already underway, including the Martin Way Corridor

Study and the Comprehensive Plan update. The Martin Way Corridor Study is evaluating infrastructure investments that can improve access and safety for all transportation modes, and spur higher density development. The City could consider combining subarea planning efforts with the comprehensive planning process for the Kaiser/Harrison and Division/Harrison areas.

In the short-term, the Ad Hoc CRA Committee has discussed the following steps to move this process forward:

1. **Engage with the full Council to determine how to best work with the Planning Commission, the Council of Neighborhood Associations and other key stakeholder groups on how to best initiate a process for annually reviewing development opportunity sites.**
2. **Consider how to best integrate this new approach into current planning processes such as the development of the Capital Facilities Plan and in particular, look for ways to connect the opportunity site review to the Comprehensive Plan.**
3. **Engage directly with the Planning Commission in discussions as to how to make use of the information about the 5 opportunity sites with their activities. The new methodology should provide a more relevant means of linking the annual work of the Planning Commission's Finance Committee's review of the city's Capital Facilities Plan.**
4. **Convene a development roundtable (perhaps in conjunction with the Thurston County Economic Development Council) to discuss how to more effectively build predictability into the development of opportunity sites in order to build the confidence of investors and developers.**
5. **Work broadly to explain the City's new vision for community development, gathering input from stakeholders on development opportunities for the sites discussed in this report and potential investments the City could make, and discuss potential development and redevelopment tools.**
6. **Clarify the City's development toolkit.** Clearly establish active and potential tools the City has available for new development, and identify which areas are eligible for EB-5 funding, New Market Tax Credits, and any applicable City programs.

A Look Ahead

Work with the CAC to guide the development of the Community Renewal Process downtown. This next work, referred to as "Component B" or part two of the consultant team's contract, focuses entirely on downtown Olympia. CRA is a valuable tool and should be employed in Olympia to begin to address blight and economic stagnation in a programmatic way. Under the guidance of the CRA Ad Hoc Committee and Council,

the consultant team should continue to work on the development of a Community Renewal Area Plan for downtown. In coordination with the Citizens Advisory Committee, this process will establish a focus area in the CRA Plan and potentially lead to a demonstration project in this area that builds the community's capacity to work together towards common goals and provide a model for working together in the future.

Endnotes:

¹ Population Forecast Allocations, Thurston County Cities and UGAs 2010-2035.

² Source: Washington Department of Personnel, 2013

³ Thurston County Employment Forecast Allocations, 2013. Thurston Regional Planning Council.

⁴ Source: Tacoma News Tribune article, June 25, 2013.

<http://www.thenewstribune.com/2013/06/25/2653062/jblm.html>

⁵ South Sound Military and Community Partnership (SSMCP). <http://www.jblm-growth.com/economics-workforce-development>

⁶ Population and Employment Countywide Forecast, 2012. Thurston Regional Planning Council.

<http://www.trpc.org/data/Pages/popfore.aspx>

⁷ Thurston County Employment Forecast Allocations, 2013. Thurston Regional Planning Council.